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**International
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International Narcotics Biweekly Review

29 March 1978

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INTERNATIONAL NARCOTICS BIWEEKLY REVIEW

29 March 1978

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This publication is prepared by analysts in the National Foreign Assessment Center for specialists in the Washington community who are interested in international narcotics matters. Comments and queries are welcome.

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THAILAND: Impact of Enforcement Efforts on Bangkok
Narcotics Market

Prices for most narcotics in the Golden Triangle and adjacent areas remained depressed at the beginning of 1978 despite a notable rise in demand during the latter half of 1977. Bangkok was the only reported area to record a price rise during 1977 and early 1978.

Narcotics stocks in the Burma-Thailand border area have been more than sufficient to meet current demand. Traffickers, however, are finding it more difficult to move narcotics from north Thailand to Bangkok because of stringent inspection efforts by Thai police.

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The steady pressure of demand for narcotics in Bangkok on available supplies pushed up the price of No. 4 heroin by 38 percent in January over the 1977 average wholesale level. Other narcotics have registered similar increases.

Another indicator of the success of Thai antinarcotics efforts is reflected in the price spread between the Burma-Thailand border and Bangkok. During 1977 the average price spread for No. 4 heroin delivered to Bangkok

Thailand: Price Spread for
No. 4 Heroin in 1976 and 1977

	US \$ Per Kilogram	
	<u>1976</u>	<u>1977</u>
Burma-Thai Border	1666	1351
Bangkok	2474 (+808)	2820 (+1469)
South Thailand	4556 (+2890)	4244 (+2893)

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increased by over 80 percent above the level of 1976. There are indications that this spread will widen further during 1978 as traffickers are confronted with greater risks in supplying the Bangkok market.

Thai enforcement efforts do not appear to have been as effective in interdicting the movement of narcotics between north Thailand and the Malaysian border area. The average price spread for No. 4 heroin between the Burma-Thailand border and the Malaysian border showed no significant change between 1976 and 1977.

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ECUADOR: Encouraging Signs for Drug Control

Earlier this month a team of US representatives met in Ecuador with Supreme Council President Poveda to discuss the narcotics problem. Stressing that his government believes narcotics trafficking poses a serious domestic problem for Ecuador, Poveda promised to introduce specific steps for reducing corruption and improving enforcement. Subsequently, the Minister of Government publicly announced the details of Ecuador's "war on drugs."

Poveda pointed out to the US officials that Ecuador's myriad problems--proposed return to civilian rule later this year, border controversies with Peru, and difficulties surrounding international marketing of the country's petroleum--had precluded high level attention to the narcotics issue. He shares the belief of other members of the military government's Supreme Council that drug trafficking has reached "epidemic proportions" in Ecuador and stated that henceforth the narcotics matter will receive appropriate attention.

Several positive and promising steps already have been taken. The Supreme Council has appointed committees to carry out its decisions regarding drug control. Among other things, those decisions entail: establishing new and more effective legal procedures for processing drug cases, increasing the severity of current drug laws, improving enforcement capabilities by increasing personnel, augmenting material support, and promoting the formation of a technical judicial police force. Reference was also made to "eliminating elements considered ineffective which belong to organizations involved in the war on drugs"--presumably an oblique statement that corrupt officials will be removed from drug enforcement positions.

These actions, if carried out fully, will strengthen Ecuador's ability to control drug trafficking, but they will not result in the elimination of that country's role

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as a central transit point for South American drugs being smuggled to the US. At best, Ecuador's "war on drugs" will serve Washington's overall drug control interests in the region by providing an additional enforcement stop-gap measure. Ultimately, however, the problem of income substitution and/or crop eradication in the source of supply countries will have to be solved before a significant reduction in South American narcotics trafficking can be achieved.

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IRAN-AFGHANISTAN: Prospects For Bilateral Conference
Improve

In about a month Iran plans to approach Afghanistan to arrange a bilateral narcotics conference. Almost all the opium entering Iran is either produced in Afghanistan or shipped through Afghanistan from Pakistan.

The Iranian narcotics coordinator Bheruz Shahandeh, despite his decision to try for an agreement with Afghanistan, remains doubtful about the seriousness of Afghanistan's commitment to narcotics control. He recently told DEA in strict confidence that the Afghans had made an under-the-table offer to sell Iran 25 tons of opium. Shahandeh may be oversuspicious about the opium sale. The Afghans have openly offered this confiscated opium to foreign pharmaceutical companies, but apparently believe the bids have been too low. The revenue Afghanistan gains from selling confiscated opium, however, may be a factor in the lack of interest some officials have in eradicating illicit production.

The Iranians have already agreed to an exchange of narcotics officers as observers and to share information with Pakistan and are working on an agreement for more direct police liaison. Iran's relations with Pakistan have long been close, and the two countries have cooperated in many fields.

Close cooperation with Afghanistan, however, will have to overcome centuries of suspicion and dislike. Even getting an agreement on a bilateral conference--almost automatic when the Iranians are dealing with the Pakistanis--could involve some hard bargaining.

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NOTEWORTHY POLITICAL AND ECONOMIC DEVELOPMENTS

(Editor's Note: These items, produced for another CIA publication, do not deal specifically with the international narcotics situation. They are included here, however, because they concern developing situations that could impact on the international narcotics control effort.)

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Bolivia's Election Scene

Much of the uncertainty and opposition that resulted from President Banzer's decision last fall to hold elections in July--Bolivia's first in 12 years--appears to have subsided. Growing support for Juan Pereda's presidential campaign and increasing public awareness that the administration and the military are committed to elections have brightened the prospects for an orderly return to civilian rule. Nevertheless, in a nation that has had more presidents than years of independence, the possibility of sudden violence or change cannot be ignored.

Handpicked by President Banzer to be his successor, Pereda appears confident of winning. His popularity

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among the peasants, courtesy of his close association with the President, probably justifies Pereda's hope. His candidacy has gained momentum with the formation of the Nationalist Popular Union, a coalition of peasants, teachers, veterans, and youth organizations. Broad support still eludes him, however, in the urban areas, particularly from labor, the middle class, and the military--groups whose support will be essential after elections. Pereda recently did win backing from an important faction of the Nationalist Revolutionary Movement, one of Bolivia's most prestigious political parties.

While Pereda's candidacy is picking up steam, the dozens of political parties that constitute the opposition remain disorganized and divided. Only two opponents thus far have emerged, and neither candidate is expected to give Pereda much competition.

Mario Gutierrez, leader of the rightist Bolivian Socialist Falange (FSB), entered the race when Pereda refused the party a dominant role in his government. The FSB militants, disappointed that Banzer has not intervened on the party's behalf, may try to play the role of spoiler. The FSB was instrumental in Banzer's coup more than six years ago.

Retired General Rene Bernal, the only other announced opponent, is bitter toward Banzer for forcing his retirement as Defense Minister last year. Despite Bernal's military credentials and peasant background--he speaks the two Indian dialects--he is not likely to win the backing of officers lukewarm to Pereda in the face of Banzer's demands for at least nominal support for the government candidate.

The best chance for an organized leftist opposition seem to lie with former President Hernan Siles Zuazo, who returned last month from more than two years in exile. A charismatic individual with a reputation for honesty, Siles Zuazo has not supported any Bolivian president since 1960. Most observers view him as the only uncompromised politician on the left and therefore the logical choice to head a leftist coalition. Siles Zuazo told the press last week that he would run "if the great majority of the nation's people suggest it."

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Pereda and Banzer seem less concerned about electoral competition than about the dangerous socioeconomic situation. Discontent in the labor sector, particularly among the miners, is growing, and labor leaders reportedly are planning strikes for higher wages. Some Bolivian officials--including Pereda--fear that the recent US decision to sell part of its tin stockpile will drive down the world price of tin--Bolivia's major export--and spark disruption in the volatile mining sector.

Because domestic unrest can undermine the administration's plans in a way nothing else can, the government probably will soon take preventive measures. Some wage increases already have been granted and more are likely. Such a policy, while politically expedient, will immediately expose the new regime to another cycle of inflationary pressures, domestic criticism, and political instability.

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Peru: Financial Problems

Peru must further restrict consumption and employment to qualify for the \$300 million to \$350 million needed from the International Monetary Fund (IMF) and international commercial banks to close this year's foreign financial gap (current account deficit plus debt amortization). Full compliance with the November 1977 standby agreement will be difficult in the face of increasing labor pressure against the regime; a promise to return to civilian rule is being used in an effort to buy essential political support. We believe, however, that Peru will not meet some of the IMF targets. In our judgment, the IMF conditions must be relaxed if Peru is to be kept from de facto repudiation of its current financial commitments.

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The two-year standby credit with the IMF for \$105 million is to be drawn in nine equal quarterly installments through 1979, if Peru complies with the severe conditions of the austerity program. The package was designed to halve the current account and central government deficits and to bring the inflation rate down from 37 percent to 20 percent. The timetable announced by President Morales Bermudez last summer for returning to civilian rule by 1980 has increased support from the political parties for the austerity measures.

By the end of 1977 the government had freed the foreign exchange market, which devalued the sol by 38 percent, slowed the expansion of net domestic credit by a one-third increase in commercial bank reserve requirements, and increased taxes and reduced the federal budget.

In mid-January, Lima revalued business, commercial, and farm assets to increase tax revenues; reduced subsidies on petroleum products and numerous consumer goods, thus raising prices; and decreed wage increases averaging 10 percent for public and nonunion employees. President Morales Bermudez has recently announced that further austerity measures would be issued shortly. These measures should allow Peru to squeak by this year's first quarterly standby evaluation and should produce the second \$12 million installment. On the basis of recent information, US Treasury Department analysts believe Peru may not even pass this evaluation.

We expect that this is the last IMF evaluation that Peru can meet without a revision of the standby agreement. Despite greatly increased political support for austerity, the government probably cannot hold the line on wages and continue the planned reduction in consumer subsidies. The expected decline in real GNP will reduce the likelihood of achieving the targeted reduction in the federal deficit. Getting through the year thus will depend on subsequent IMF willingness to overlook failures on some of the key restrictions.

Leftist labor unions will continue to demand consumer subsidies, higher wages, and guarantees of job security. A general strike called by Communist and

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ultraleftist labor groups late last month, however, was a conspicuous failure. The non-Communist union's refusal to support the walkout, plus the evident success of a new hard-line government stand on labor demands authored by Prime Minister Molina, Interior Minister Cisneros, and President of the Military Joint Command Richter, could augur well for relative labor peace over the next few months. Widespread labor dissatisfaction over the austerity pinch will continue, however, and could threaten economic stabilization at a later date.

Impact on the Economy

The austerity measures are severely reducing domestic demand and output and eroding business confidence. For 1978 as a whole, we expect a 4-percent decline in real GNP. Tight domestic credit controls are taking a heavy toll on business investment, while inflation and rising unemployment are lowering consumer demand. As a result, output in all major sectors except mining and agriculture will probably decline sharply, the steepest drops coming in construction and manufacturing.

Despite its willingness to incur the serious political and social cost of reduced output, the government will probably fail to achieve many of the IMF targets. Higher debt-service costs and slower growth in government revenues should keep the central government deficit at 4.6 percent of GNP, compared with the targeted 3.3 percent. The goal of a 20-percent inflation rate almost certainly will be missed by a wide margin. Consumer prices jumped 7.5 percent in January alone as a result of reductions in consumer subsidies and the inflationary impact of currency depreciation.

IMF-dictated import cuts and moderate export growth, however, are expected to produce a \$25 million trade surplus this year--the first surplus since 1973--and reduce the current account deficit by 45 percent to \$500 million. Soaring debt amortization costs this year will allow only a small reduction in Peru's financial gap. Scheduled principal repayments on the external debt will jump to nearly \$690 million in 1978, up from about \$390 million last year. With little or no foreign exchange reserves to draw on, Peru will need \$1.2 billion in

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foreign funds to meet its external obligations. About 65 percent of the funds will come from project loans and direct investment.

To help cover its financial gap and rebuild dangerously low reserves, Peru is rescheduling \$80 million due to the Soviet Union this year, planning to draw \$50 million from the IMF, and seeking a \$250 million to \$300 million balance-of-payments loan from a consortium of international commercial banks. If Peru passes the current quarterly IMF evaluation, Lima should be able to draw one-fourth of the consortium loan by May to cover immediate obligations. The remainder of the consortium loan will be drawn quarterly through 1978 only if Peru can retain or renegotiate its IMF standby. Even with the latter, further small debt postponements may occur before the end of the year.

If Lima can renegotiate its IMF agreement and obtain the funds needed to cover this year's financial gap, it would be in a position to relax austerity measures gradually in 1979 and to resume positive economic growth in 1980.

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TURKEY: ANNUAL INSPECTION OF OPIUM POPPY FIELDS UNDER WAY. Government officials are currently measuring the opium poppy fields in the seven provinces where poppy cultivation is authorized to determine whether there are any unlicensed fields. Licensed fields that have been damaged by the winter weather may be replanted; unlicensed fields are destroyed and the owner prosecuted. Aerial inspection will also be used this year for the first time as a control measure during the growing season, but this program, being launched with UN assistance, will not get under way until the poppy plants are well developed. Some estimate of the size of this year's poppy straw production should be possible in May or June.

The Turkish press claims that about 90,000 hectares of opium poppies have been planted this year in the seven provinces--out of 67--where opium poppy cultivation has been authorized by the government. Permits reportedly were granted to some 280,000 farmers in the region. About 70,000 hectares of opium poppies were harvested last year with a yield of about 36,000 tons of poppy straw, most of which is still unsold. Harvesting opium gum, or raw opium, has been banned in Turkey since 1972.

When the matter of the considerable expansion of licensed acreage for opium poppy cultivation was raised recently with Prime Minister Ecevit, he indicated that he was unaware of the expansion that had occurred under the previous government and promised to investigate the matter. Ecevit affirmed his personal desire to keep the area under poppy cultivation in balance with the licit world demand for opiates.

The US Mission in Geneva notes that Ecevit is still smarting from what he regards as unfair criticism of the Turkish narcotics control program because a number of Turkish nationals have been apprehended in other countries on charges of illicit narcotics

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trafficking. However, Ecevit is not likely to allow this annoyance to lessen his commitment to a continued intensive narcotics control program throughout Turkey. [REDACTED]

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GREECE: BECOMING TRANSIT POINT FOR ILLICIT DRUGS. There is increasing evidence that Greece is being used by international narcotics traffickers as a transit point for illicit drugs, according to American observers in Athens. The Greek police have seized over 21 kilograms of heroin, plus substantial amounts of hashish and hashish oil, since last summer, most of which was destined for illicit markets in Western Europe and the US. Greece has never been regarded as a significant consumer country for illicit narcotics and dangerous drugs. [REDACTED]

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BULGARIA: AN ACTIVE NARCOTICS INTERDICTION PROGRAM. During the past two years, Bulgarian Customs officers have uncovered more than 230 cases of smuggling involving a total of over 10 tons of narcotics, according to recent press reports from Sofia. The illicit drugs were mainly hashish but they also included small amounts of morphine, heroin, and opium. Ten incidents reportedly involved amounts exceeding 100 kilograms each; and most of the illicit drugs seized were consigned to Western Europe or were slated for the US. According to the Bulgarian press, Bulgarian Customs officers are making a "tremendous effort" to intercept illicit narcotics passing through Bulgaria, which bridges the main land route to Europe from the East. [REDACTED]

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PERU: NARCOTICS SUPPRESSION CAMPAIGN ACCELERATES. Peruvian narcotics interdiction efforts have been highly successful, according to recent press reports as noted by the Embassy. The press claims that approximately 800 kilograms of cocaine paste have been seized in a variety of related operations. Over 120 drug traffickers have been arrested in recent weeks, according to the Director of the Peruvian Investigative Police (PIP). The Embassy notes that the extensive publicity being given to recent successful PIP operations coincides with the publication of the new drug law [REDACTED]

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[] and underscores the enhanced commitment of the Peruvian Government to reduce drug trafficking and consumption. The Embassy views both the new law and the accelerated narcotics control effort as a signal to the US that Peruvian authorities now expect closer and expanded cooperation with the US in illicit narcotics control efforts. DEA believes the Peruvian estimates of seizures are exaggerated. It estimates that Peruvian seizures are probably closer to 500-600 kilograms than the 800 cited by the press, but it regards even this figure as highly respectable. []

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BURMA: POPPY ERADICATION MORE EXTENSIVE THIS YEAR. The Burmese Government has been conducting poppy eradication operations in the northern Shan State since mid-January []

[] In areas where there is active "insurgency," the Army has operated alone; but in other areas, the police have assisted.

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[] eradication operations in some areas have been hampered by "large scale" fighting between the Burmese Army and armed elements of the Burma Communist Party (BCP). In late February, Burmese authorities announced through the Rangoon press the destruction of nearly 3,400 hectares of opium poppy. This would represent from 30-40 tons of raw opium. The estimate of the area destroyed represents only part of the 1978 eradication campaign, however, and American observers in the area expect that the total area being eradicated in the northern Shan State will be much greater than in previous years. []

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PAKISTAN: STILL HEDGING ON MATTER OF CLOSING DOWN HEROIN LABS. Foreign Secretary Shahnawaz, when reminded recently that the Pakistani Government has made no attempt yet to seize the heroin laboratories operating in the northwest tribal territory, despite earlier assurances by the government that such action would be taken, claimed that Pakistan must move slowly in this matter because of the current sensitive state of relations between Pakistan and Afghanistan. Shahnawaz said he would not want activities in the tribal area to upset the progress that had been made toward reaching a border settlement with Afghanistan. The Embassy in Kabul,

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commenting on the excuse offered by Shahnawaz, judged that Afghanistan would raise no objection to a Pakistani move against the illicit laboratories, provided the Afghan Government was properly informed in advance. The Embassy noted further that Kabul had not previously indicated any sensitivity over this point. According to the Embassy in Islamabad, some of the illicit laboratories that had been identified in the northwest tribal territory have already moved as a result of information leaks and the long delay in moving against them. []

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AFGHANISTAN: LESS OPIUM BEING GROWN IN NANGAHAR PROVINCE.

[]
opium poppy cultivation along the major Jalalabad-Torkham Highway in Nangahar Province near the Pakistan border where opium poppies flourished last year, has been substantially reduced. In another unrelated control effort, 70 hectares of young opium poppy plants were plowed under in the Central Helmand region in late January, according to an Afghan official. The Embassy warns, however, that total production in other areas of Afghanistan may be as high as last year. According to some Afghan officials, the narcotics control effort in some other areas, especially in the northern tribal regions, have accomplished little. An estimated 370 tons of illicit opium were produced in Afghanistan last year, and this figure would have been even larger if the estimated production in tribal areas bridging the Pak-Afghan border were included.

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PAKISTAN: ILLICIT OPIUM POPPY CULTIVATION INCREASES.

Illegal cultivation of opium poppies has increased in Pakistan this year in areas not completely under government control []

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[] an estimated 2,400 hectares of opium poppies have been planted illegally this year because of the high black market price of \$180 per kilogram of raw opium. Over 1,000 hectares in the Northwest Frontier Province area have been licensed for opium poppy cultivation, according to a recent government survey. []

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[] however, the total figure cited in the survey may be reduced slightly during the course of the growing season because of the poor productivity of some of the new lands under cultivation. []

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INTERESTING READING

TURKEY--*Constitutional Court Ruling on Poppy Cultivation Appeal*--TNDD,* No. L/7673, 21 March 1978, pp. 124-134. Documentary from the *Official Gazette*. Repeal of the key Turkish laws controlling opium cultivation and production was requested on the grounds that the paragraphs in question pertaining to licensing and growing restrictions were contrary to the general spirit of the Constitution and, further, that they were "injurious" to the principle of equality. The charge against the defendant was growing opium poppies on land outside the authorized poppy cultivation area. The lower court upheld the objection and applied to the Constitutional Court to repeal specified provisions of the law which were determined to be unconstitutional. The Constitutional Court ruled that the articles of the law in question as applied to opium poppy cultivation were not in violation of the Constitution. The law was upheld and remains in force; however, continuing attacks against the law, and its interpretation may be expected as new violations occur and as farmers outside the authorized growing area seek authorization to cultivate opium poppies after the new industrial poppy straw processing plant is completed next year. The article cited above includes a copy of the text of the Turkish law controlling opium poppy cultivation.

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*US Joint Publications Research Service (JPRS) *Translations on Narcotics and Dangerous Drugs*. Published by JPRS, 1000 Glebe Road, Arlington, Va. 22201.

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SWEDEN--*Prison Officials Demand Segregation of Drug Convicts*--TNDD, No. L/7659, 13 March 1978, pp. 209-211. "Small and individual prison cells from which dope traffickers and abusers have been removed is the Criminal Care Administration's prescription for treating the sharply increasing and brutalizing violence between the inmates in the large prisons in the country. To a great extent, the hard laws of the narcotics and Mafia groups are today reigning quietly over the inmates. The violence is increasing sharply and often involves narcotics transactions or narcotics debts."

ITALY--*Lack of Treatment Centers Magnifies Drug Problem*--TNDD, No. L/7659, pp. 202-205. (Translation of an article appearing in Rome's *La Repubblica*.) "We are fighting drugs with small change. Two years have gone by since the law on drugs was padded, and the number of drug addicts has spiraled upward. Interest in the problem of drug addiction in general has decreased noticeably. And the victims have increased proportionately. Most laymen and the majority of young people who have drug problems feel that the law has not done any good, that people are dying from heroin because of carelessness, indifference, and lack of concern."

ECUADOR--*National Monthly Drug Seizure Statistics for 1977*--TNDD, No. L/7659, pp. 156-157. "Interpol in Ecuador carried out an intense campaign against narcotics traffickers and drug users in 1977. Interpol succeeded in seizing 237 kilograms of cocaine paste, 160 kilograms of marijuana, and three cocaine laboratories." The article from Quito's *EL COMERCIO* contains monthly summaries of Interpol's antinarcotics activities in Ecuador during 1977.

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FRANCE--*Drug Abuse in France Reviewed, Updated*--TNDD, No. L/7673, 21 March 1978, pp. 117-118. Translation of an article appearing in the Frankfurt/Main *FRANKFURTER ALLGEMEINE* entitled "Drug Abuse is No 'Fad'" The article estimates that "several hundred thousands of youths have at least once experimented with hashish . . . or a similar product, while the number of addicts is estimated at 30,000." The article further claims that "the 'social behavior' which signifies drug abuse has spread: from the cities . . . to the plains, from the middle class to young workers and unemployed The report regards the increasingly anonymous large schools and a lack of occupation of youths during leisure hours as causes of this spread."

COLOMBIA--*Questions Raised About Anti-Drug Operations*--TNDD, No. L/7673, p. 60. "The charges that were recently made public show that in Colombia alone there are high level drug dealers or 'kingpins' whose yearly earnings average \$8 billion This figure shows that we are faced with a (drug) underground of incredible size and scope whose economic resources are larger than the national budget A task of gigantic proportions awaits the Attorney General's Office which will be responsible for heading the fight against this corrupting plague."

BRAZIL--*Drug Prevention Foundation To Be Established*--TNDD, No. L/7673, pp. 54-59. The article discusses the pending creation of a National Foundation for Drug Research and Prevention. "The foundation will be responsible for conducting studies and proposing antidrug measures ranging from the adoption of specific materials in school curricula to the training of specialists in the treatment of addiction. Creation of the foundation is noted as one of the most important steps taken by the government in combating drug abuse since the passage of the 1976 Drug Law. The foundation will be subordinated to the Secretariat of Planning of the Presidency of the Republic Brazil is also seeking to promote treaties with as many Latin American countries as possible, similar to those with Peru, Bolivia, and Venezuela These treaties provide that the countries will maintain a diplomatic attache with specialized knowledge of drugs in each of their

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respective embassies. The exchange of information will make it possible to take integrated action to combat drug traffic."

SRI LANKA--*Defense Ministry Orders Anti-Opium 'Offensive'*--
TNDD, No. L/7673, p. 36. "According to a high-ranking police official, drug trafficking (between India and Sri Lanka) has become big business Investigations have revealed that the kingpins in the opium trade in the two countries are trafficking through a vast network of agents. The unrestricted traffic between the two countries has contributed greatly to the increase in the flow of opium as locals traveling to India are now being used as carriers."

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